WORLD BANK NEWS

Volume XII, No. 24 June 17, 1993

One Year After Rio: Some Bright Spots in a Mixed Picture

In June 1992, world leaders met in Rio de Janeiro to take part in the United Nations Conference on Environment and Development (UNCED). During the meeting, countries from both the industrialized and developing worlds committed themselves to taking better care of the environment, giving rise to the global goodwill known as the "Spirit of Rio."

One year later, the world's follow-up to UNCED shows a mixed record, says Andrew Steer, deputy director of the World Bank's Environment Department. But amid the disappointments are some signs of hope.

A few days after the U.N. Commission on Sustainable Development met in New York on June 14, Steer spoke with World Bank News about UNCED, its one-year legacy and long-term future. Excerpts follow:

WBN: One year after Rio, does UNCED look like a failure, a success, or a mix?

Mr. Steer: It's a mix. There are some causes for considerable encouragement, especially the change in the mindsets of government policy-makers and average citizens around the world. Hardly anybody doubts the importance of the environment any more.

It's also exciting to see many developing countries actively seeking to strengthen their environmental institutions and putting in place the right environmental policies and investments.

On the disappointing side, funding has not amounted to what some people had expected it would be. At Rio, most of the world's rich countries committed themselves to raising their aid levels to the United Nations target of 0.7 percent of their gross domestic product. That would require a doubling from its current level of 0.36 percent. But there is no evidence of movement in that direction.

Also, it was agreed at Rio that there

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Rio's Call To Action Must Be Answered

The United Nations Conference on Environment and Development (UNCED) in June 1992 in Rio de Janeiro sent a loud call for global environmental action. One year after UNCED, answering that signal is the "order of the day," according to Hans Wyss, director of the World Bank's European Office.

On June 14, Wyss spoke to a conference on "The Role of International Organizations Following UNCED," in Lisbon, Portugal, about Rio, its importance and the World Bank's actions since UNCED. Top Portuguese Government officials, including the Prime Minister, attended the meeting. Excerpts of the speech follow:

UNCED embodied the evolution of nearly 20 years of debate on the relationship between development and the environment. More than 100 heads of state, 1,000 non-governmental organizations (NGOs) and individuals from all sectors worked together in the interest of achieving a future of environmentally sound and sustainable development.

There is no reason to believe, however, that achieving such a future will be easy. Fortunately, nations at the Earth Summit

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IFC approves financing for its first two projects in Russia. A total of $71.5 million will support ventures in the oil and gas sector. 5

World Bank releases new series of Development Essays. First booklet tells the story of the fight against river blindness. 6

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INTERVIEW

Many Developing Countries Are Turning Their Attention to the Environment

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should be an "Earth Increment" to support environmental activities of the International Development Association (IDA), but that did not come through. Yet, one must be realistic. After all, simply replenishing IDA at constant real levels is a considerable achievement in these tough economic times.

Andrew Steer

WBN: Where have developing countries achieved the most progress?

Mr. Steer: Progress is being made in three broad contexts.

First, developing countries that are managing their economies well are now aggressively turning their attention to the environment. Countries like Indonesia, China, Thailand, Chile, Mexico, Morocco and Tunisia are moving in the right direction on their economic policies, which is enabling them to really address the environment.

Second, the countries that are going through massive economic and social changes in the former Soviet Union and Eastern Europe are recognizing that they need to address environmental issues. Countries like Poland, the Czech republic, Hungary, and Bulgaria are taking the lead in that area.

Third, many low-income countries in Asia and Africa are preparing national environmental action plans. The tough challenge for them now, though, will be to put those plans in action. And the challenge for the Bank and other international agencies is to support them in this effort. Africa's problems associated with water, soils, forests and irrigation are the most difficult to solve.

WBN: Has the World Bank lived up to the "Spirit of Rio?"

Mr. Steer: I believe it has, yes. It's useful to think of the Bank as having a four-fold environmental agenda.

First, we are helping developing countries strengthen their environmental institutions, policies and investments. In the 12 months since Rio, the World Bank has committed $2.2 billion to about 20 countries to help them strengthen their environmental institutions.

This compares with lending of $1.3 billion the year before and only $70 million four years ago. In other words, World Bank environmental lending has grown thirty-fold in four years. Today, we have a portfolio of ongoing projects amounting to $5 billion in 40 countries.

Second, we are making sure that we don't hurt the environment in the Bank's main portfolio of projects aimed at alleviating poverty.

In that regard, we've just completed a review of environmental assessments of projects the Bank has supported during the last three years. We're finding that these environmental assessments are already having a positive impact on project design.

However, it is proving very hard to build up a given country's capacity to assess the environmental impact of a project. But the very fact that countries now have to produce environmental assessments for World Bank-funded projects is encouraging some countries to strengthen their own environmental assessment capacities.

While there's some progress there, though, the Bank has learned from the Narmada dam project in India that we have a long way to go. This is an area where it's very important not to be complacent because we have no reason to be satisfied. There's still a lot of room for improvement.

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John Bracco

In the 1990s, many low-income countries, especially in Africa, will have to face problems associated with water, soils, forests and irrigation.

READEX
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Bank Expanding Support for 'Win-Win' Policies

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Third, we are expanding our support for the "win-win" policies and projects that are beneficial to development and to the environment. For example, we've increased our lending to population and education projects, for energy efficiency and for allocating land tenure rights to poor squatters—all of which help the environment.

Fourth is the "global" environmental agenda with the Global Environment Facility leading our work on that. The GEF has had a very successful year, with world leaders recently agreeing in Beijing to replenish the fund with a big increase.

WBN: Where do you think the Bank needs to do more work?

Mr. Steer: In many areas. Let me suggest four priorities.

One, we need to ensure that our projects are implemented with environmental assessment as an integral part of the design, not as a separate component.

Two, we need to continue building our technical skills in environmental management to keep up with the rapidly expanding demand of our members as they put environmental projects in place.

Three, we need to expand our appreciation and skills on the social aspects of development because it is impossible to have a sustainable future without understanding the social dimensions of development. This is why we have recently created a new Social Policy and Resettlement Division in the Bank's Environment Department.

Finally, we need to aggressively learn from both the positive and negative lessons of the first generation of environmental projects that the World Bank has supported. There are many exciting initiatives going on in developing countries. We have to learn what's working and what isn't and then replicate the best. □

Meetings and Events

Rio Consensus Loud and Clear

WYSS, *from page 1*

realized that we are all in this together. The North cannot by itself mitigate such threats as global warming any more than the South can by itself make sustainable development a reality. Mutual interest and shared responsibility must become the order of the day.

To ensure that this vision materializes, we have to move beyond an acceptance of the need for better policies, to their effective implementation. We must set about to close the gap between the rhetoric of sustainable development and its limited practice in the field. The poverty, hunger and disease suffered by millions in the developing world demand that we wait no longer.

The consensus that emerged from Rio was very important. First, we agreed that promoting development is the best way to protect the environment and vice-versa. Policies that make economic sense often make environmental sense.

A second point of consensus in Rio was the critical need to tackle climate change, loss of biodiversity, and other global issues. The two conventions signed made clear that the rich countries must play a primary role in addressing these problems.

Third, the Earth Summit recognized that not enough attention has been given to the most serious environmental problems that affect large numbers of the world's poorest people: unclean water, inadequate sanitation, air pollution and soil depletion. These environmental problems are poverty problems and they are today's most urgent priorities.

A fourth major point of agreement in Rio was the importance of partnership within governments. Finance ministers and environmental ministries need to cooperate in order to operationalize the commitments their leaders made in Brazil. Partnership must also take place among international institutions, making the most effective use of our comparative advantages, including the special skills of NGOs.

The Rio consensus was loud and clear. Now, it's time for follow-up and action. At the World Bank during the last several years, there's been an increasing awareness of environmental concerns and an effort to integrate them into our work.

Hans Wyss

What should donor agencies, the UN, the regional development banks, and the World Bank be aiming to achieve as we work with the developing countries to promote sustainable development? Let me suggest four challenges that are crucial if we are to make real progress.

First, we must follow up and implement the specific commitments made in Rio, including the international conventions and the promises made to provide additional concessional resources for the environment.

Second, we must support the developing countries as they strengthen their environmental policies and institutions, by helping them prepare and, even more importantly, implement national environmental action plans.

Third, we must attack the local environmental problems which hurt the poor the most, especially unclean water, inadequate sanitation and soil degradation.

Fourth, we must increase the focus on slowing global population growth, which poses a major threat to environmental sustainability. Central to this effort is accelerated development and, particularly, increasing access to education for girls in the developing world.

Poverty is at the root of our development problems and our environmental problems. If we want to protect the environment, we have to reduce poverty. We know what needs to be done, let us continue the process that was begun in Rio and work together to create a sustainable future for our planet. □

Date	Event	Sponsor	Location	Telephone
JUNE				
18	Sri Lanka Aid Group Meeting	World Bank	Paris	(33-1)40-69-3016
20-23	Health and the Environment: Meeting the Challenge for Human Development	National Council for International Health	Washington	(202) 833-5900*
21-22	Peru Consultative Group Meeting	World Bank	Paris	(33-1) 40-69-3016
23	Sierra Leone Donors' Meeting	World Bank	Paris	(33-1) 40-69-3016
24-25	Consultative Group for Ghana	World Bank	Paris	(33-1) 40-69-3016
24-25	Seventh London Conference on Privatization and Commercialization	Adam Smith Institute	Westminster, U.K.	(44-71) 222-4995
28-30	1993 Pan-Asian Forum: Telecommunications Reform, Privatization and Planning	Institute for International Research	Hong Kong	(02) 929-5366
29-30	Indonesia Consultative Group Meeting	World Bank	Paris	(33-1) 40-69-3016
JULY				
1-2	India Consortium Meeting	World Bank	Paris	(33-1) 40-69-3016
4-9	World Congress on Family and Children's Rights	Asia Foundation	Sydney, Australia	(679) 304-955
6	Publication of *World Development Report 1993: Investing in Health*	World Bank	Washington	(202) 473-1784*
7-9	Economic Summit	Group of Seven	Tokyo	(81-3) 3592-0156
11	World Population Day	United Nations	New York	(0222) 211310
SEPTEMBER				
6-11	International Symposia on Industry and Environment in the Developing World	UNESCO	Cairo, Egypt	(96-26) 694-351 ext. 603
8-11	International Conference on HIV In Children and Mothers	Pediatric AIDS Resource Center	Edinburgh, U.K.	(44-31) 668-4407
9-10	Conference on Portfolio Investment Flows to Developing Countries	World Bank	Washington	(202) 473-3914*
20-23	Towards Education for All	University of Brunei Darussalam	Brunei Darussalam	(673-2) 427001
27-30	Today's Child, Tomorrow's World	National Association of Children's Hospitals	Atlanta, GA	(703) 684-1355*
OCTOBER				
4-5	Asia-Pacific Region Business And Investment Conference	Asia Business Journal	Boston	(617) 963-2938*

Editor's Note: *Development Agenda* is a feature that alerts journalists to key news events in the field of economic development. Journalists should contact sponsoring agencies for details about each event. Asterisk indicates telephone number is in the U.S.A. All other telephone numbers include country and city codes.

IFC News

IFC Provides $71.5 Million For First Russian Projects

The International Finance Corporation (IFC) has approved $71.5 million in financing for its first two projects in Russia.

The combined cost of the two projects in the oil and gas sector total $377 million. The IFC is the member of the World Bank Group that promotes private sector investments in developing countries. Russia joined the IFC on April 12, 1993.

Most of the financing, a $60 million loan, will be provided to the Polar Lights Company to help finance the development of the Ardalin oil field in northern Russia. Polar Lights is a 50-50 joint venture between Conoco Inc. of the United States and Arkhangelskgeologia, a Russian enterprise.

The Polar Lights project will drill development wells, establish a treatment facility, and build a 36-mile pipeline to connect with the existing Russian network. The European Bank for Reconstruction and Development (EBRD) has approved a loan of $90 million for the project and the Overseas Private Investment Corporation of the U.S. is to lend $50 million.

IFC will also provide a loan of $10 million to the Vasyugan Services Joint Enterprise and a $1.5 million quasi-equity investment to help finance a project that will increase the output of existing oil and gas wells in the Tomsk region of western Siberia.

Vasyugan Services Joint Enterprise is a joint venture between Canadian Fracmaster and two Russian entities, Tomskneft Production Association and Vasyugan Production Division. The company will use modern oil well fracturing methods that are not yet widely used in Russia to attain a significant production increase from the wells it services. Additional financing for the project is to come from the EBRD. □

Ghana The government will increase learning achievements and enrollments in some of the least well endowed primary schools with the help of a credit of SDR 46.9 million ($65.1 million) from the International Development Association (IDA). The project aims to improve the amount and quality of teaching and learning time in 1,983 primary schools.

India The government plans to improve the level of literacy of the citizens of Uttar Pradesh, one of India's least developed states, with support of an IDA credit of SDR 116.5 million ($165 million). Also, an IDA credit of SDR 39.5 million ($54.7 million) will help Uttar Pradesh reclaim sodic lands for cultivation of crops.

Jamaica The government's program of achieving rapid and sustained growth through private sector development will be supported by a $75 million World Bank loan. Jamaica's macroeconomic program, supported by trade reform and privatization, will reduce the public sector's claims on the economy's resources and help build investor confidence.

Malawi An IDA credit of SDR 33 million ($45.8 million) will help the government formulate and implement institutional and management reforms in the national research, extension and input supply systems.

An IDA credit of SDR 18 million ($25 million) will also help improve the access to financial services for the rural sector, including women, on a sustainable basis. More than 500,000 rural households are expected to benefit.

Morocco About 2,800 squatter households and 9,150 low-income households will benefit from a project, supported by a $130 million Bank loan, aimed at providing serviced residential lots at affordable prices.

Also, a $104 million Bank loan will support a municipal finance project aimed at helping two million people, living in urban and rural areas, including a large number of poor.

Pakistan The government will use land resources in two northern areas in a more sustainable and economically efficient manner with help from an IDA credit of SDR 20.4 million ($28.8 million). The project will benefit farmers in Azad Jammu and Kashmir, which rank among Pakistan's poorest and most environmentally fragile areas.

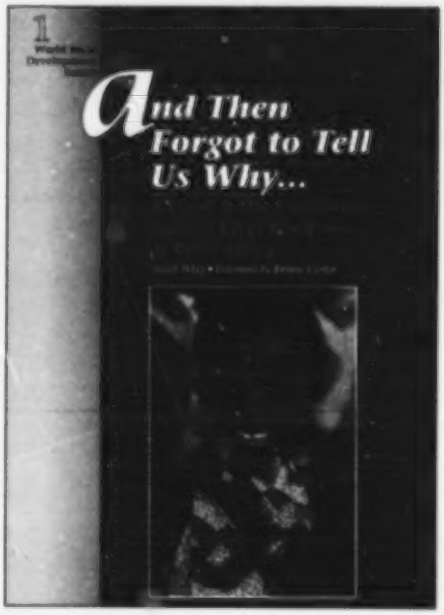
Sierra Leone The government will provide essential infrastructure to support economic growth in Greater Freetown with the support of an IDA credit of SDR 18.4 million ($26 million). The project also aims to improve living conditions of low-income households, especially helping some 96,000 residents.

Tanzania An IDA credit of SDR 25.2 million ($34.9 million) will help support institutional capacity building to begin implementation of a public sector restructuring program.

PUBLICATIONS

World Bank Launches New Development Series

And Then Forgot To Tell Us Why is the first in a new series of booklets from the World Bank called Development Essays. It is about how international teams are fighting the battle against a pernicious disease called river blindness, which is spread by a tiny blackfly. It is a disease that used to blight the lives of thousands of West Africans. Now after years of effort, the pathetic sight of old blind men being led by their children is becoming rare. The disease is, at last, coming under control.



The story is a dramatic one—and is one of the many, little-known success stories of the developing world. It is written by David Wigg, who has been a foreign correspondent for three London newspapers. A foreword to the booklet was written by former U.S. President Jimmy Carter.

Each of the booklets in the series will look at an aspect of development and approach it journalistically. In a highly readable way, they will tell stories about real people in real situations.

The writers will go out to talk to people as they labor in the fields or work in factories, as they rest in their village huts or in slums and shantytowns, and report what the poor feel about their lives. The development experts in their offices or in their jeeps bumping along rural roads are not ignored; they, too, will be asked their opinions, asked about how they do their work.

The next essay to be published will take the reader to Colombia and Nigeria and show how agricultural scientists work constantly to lessen the threats of famine.

Another essay will look at how determined and committed archeologists, architects and artists in Cyprus and Pakistan, struggle to preserve their cultural treasures—the exquisite Roman mosaics of Paphos and the historic Walled City of Lahore. □

And Then Forgot to Tell Us Why is priced at $6.95. Journalists may receive free copies by writing on company letterhead to the World Bank, Office of the Publisher, Marketing Unit, Room T-8054, Washington, D.C. 20433, U.S.A. Fax: (202) 676-0579

Bruno Named World Bank Chief Economist

World Bank President Lewis Preston has appointed Michael Bruno, professor at the Hebrew University of Jerusalem, as Vice President, Development Economics and Chief Economist of the World Bank.

Bruno, who holds a Ph.D. in Economics from Stanford University, will assume the position effective September 1. He served as the Governor of the Bank of Israel from 1986 to 1991, after playing a key role in the design of Israel's successful 1985 Stabilization Program.

Bruno has been associated with Hebrew University since 1963, where he served as Chairman of the Economics Department. He has also been a visiting professor at universities in the United States. Born in Germany in 1932, Bruno and his family immigrated to what is now Israel the following year. □

PRESS ADVISORY

New Time for *WDR* Briefing

A pre-publication press briefing on the *World Development Report 1993* will take place at 9:30 a.m. on Friday, June 25, instead of 10:30 a.m. as previously announced. The briefing will be held in the World Bank's "J" building at 701 18th Street N.W. in Washington.

The report and comments made during the briefing are embargoed for release on July 6.

For more information, contact Bill Brannigan at (202) 473-1784.

WORLD BANK NEWS

Richard Kollodge, Editor
Christopher Bright, Production Assistant
Andrew Kircher, Reporter

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The World Bank Group is the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). IBRD is the main lending arm of the World Bank. IDA is the World Bank affiliate that lends on concessional terms to the poorest countries. IFC finances private sector projects and advises businesses and governments on investment issues. MIGA promotes foreign direct investment through guarantees, policy advice, and promotional services.

WORLD BANK NEWS

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Loan to Russia Will Boost Oil Industry

Energy production, ranging from oil and gas to coal and electricity, makes up one-seventh of Russia's annual economic output and earns the country half of its export earnings.

But as the trade ties of the former Soviet Union unraveled in recent years, so did Russian energy production. Today, oil exports are down to one-half of their 1988 level while total output is down 30 percent and falling by 15 percent a year.

To stem the rapid decline in oil production, Russia is launching a $1 billion project aimed at repairing under-used oil wells in Western Siberia and making the oil sector more attractive to private investors. On June 17, the World Bank approved a $610 million loan in support of the project. The sum marks the largest project loan the World Bank has made in its 48-year history.

The European Bank for Reconstruction and Development (EBRD) is cofinancing the project with $250 million, regional Russian oil entities are fi-

See OIL, *page 3*

Program Will Help China Reduce Yearly Grain Losses by 500,000 Tons

China is launching a $990 million program that will revolutionize the transport of grain in the country by shifting from bag to bulk handling. On June 17, the World Bank approved a $325 million loan and the International Development Association made a $165 million credit in support of the project.

The program includes policy reforms in China's grain sector to liberalize prices and make the sector more market ori-

See GRAIN, *page 2*

About 6 percent of China's grain is lost each year because of problems transporting it to markets.

If China wants to compete in the global marketplace of the 21st century, it must overhaul its cities, a new study says. **2**

A firm based in Belgium will invest in a facility that will treat metal waste so it can be used to build roads in Russia. **5**

Aid donors who met in Paris have tentatively pledged $900 million for Peru and $840 million for Sri Lanka. **6**

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Earth Summit follow up, page 5

LENDING

19 Million Tons of Grain to Be Moved Annually

GRAIN, *from page 1*

ented. Agricultural reform in China since 1978 has caused grain production to increase at twice the rate of population growth. But the rising productivity hasn't been matched by improvements in distribution and marketing, and the grain distribution system, which relies on out-moded equipment and packaging, is overwhelmed by supply.

Alan Piazza

A large share of China's surplus grain is stored on open platforms and covered only with tarpaulins, in some cases spoiling before it reaches its destination. According to project task manager Alan Piazza of the World Bank, about 6 percent of grain production is lost each year in shipping between production areas and consumers. The Bank-supported program aims to cut this loss by up to half, saving 500,000 tons of grain a year.

Investments in distribution and transport infrastructure will be made in the northeast and southwest of China and in the Yangtze River and Beijing areas, all of which are important grain production or consumption centers. Five major grain port terminals and about 60 intermediate and 300 primary grain depots will be upgraded and equipped. The project will also provide over 2,400 bulk rail wagons and bulk trucks.

According to Mr. Piazza, these improvements will accomplish for a large share of China's grain trade in six years "what takes most countries decades and decades" to achieve. In all, the project will increase the amount of grain moved in bulk from about 5 million tons today, to 19 million tons in 2000. A National Grain Economic Information Center will also be established to monitor grain information country-wide so that distribution can be tailored to meet regional shortages or surpluses.

The second major part of the program includes technical assistance to support market-oriented policy reforms in the grain sector. As part of this effort, two wholesale grain markets will be developed into futures markets with prices determined by market forces.

Additional financing for the project is being provided by the government. □

PUBLICATIONS

China Needs to Make Better Use of Urban Areas

More than a quarter of China's 1.15 billion people live in cities and produce half of the country's national economic output. Yet, despite the fact that China's urban population ranks as the world's largest, its cities still do not live up to their economic potential, says a new World Bank study.

In recent years, China has tried to encourage its 467 major urban areas to use their space more productively but has met with only limited success. If Chinese cities really want to compete in the international marketplace in the 21st century, those urban areas still need to be put to better use, the study says.

Reforming urban land management is crucial to allowing China's cities to boost production and vie for markets with other rapidly growing Asian nations, according to *China: Urban Land Management in an Emerging Market Economy*.

Increasingly, Chinese cities must compete with rising Asian tigers like the Republic of Korea for their share of the world's markets. To do that, those cities must pursue a development strategy aimed at shifting their economic focus from industrial production to commercial ventures like private businesses and information services, says the study.

Currently, nearly one-third of the central parts of major cities are overburdened with industry, and many large areas go unused because of poor roads, aging water and sewer systems and inadequate housing. While industrial ventures occupy 20 percent to 30 percent of most inner-city areas in China, only 6 percent of Hong Kong is claimed by industry and 9 percent in Seoul.

China started to change its urban land management practices in 1984 and sped up the effort in late 1992. But the study says reforms have not done enough. In many cases, city administrations ended up trying to reshape urban areas but only plodded along. The cities of Guangzhou and Shanghai are exceptions. Chinese cities must treat land as a commodity and put in place the right laws, regulations and taxes that offer incentives for urban growth, the study says. Land rights must be granted and prices must be reformed. Along with those policy changes, Chinese cities also need to invest in infrastructure improvements. Roads must be doubled to handle new traffic.

But making the use of city space more efficient doesn't mean destroying a city's historic heritage, the study adds. Often older parts of a city can add commercial appeal for businesses and tourists. European cities have saved historic areas to great commercial success.

China: Urban Land Management in an Emerging Market Economy is priced at $17.95. Journalists may receive free review copies by writing on company letterhead to the World Bank, Publications Marketing, Room T-8054, Washington, DC, 20433, USA. Fax: (202) 676-0579. □

Oil Revenues Will Increase By $1.5 Billion

OIL, *from page 1*

nancing $169 million and the Dutch Government is providing $6 million.

The Bank loan is earmarked for three oil "producer associations," in Western Siberia. Kogalymneftegas, Purneftegas and Varyegganneftegas are entities responsible for oil and gas production within certain geographic areas.

Besides stopping the drop in oil production, the Bank loan also aims to help beef up the management and technical capabilities of the associations. At peak production, the project is intended to boost national oil output by 3 percent a year and bring in $1.5 billion in annual oil revenue. The oil sector's revenues are crucial for helping fund Russia's transition from a centrally planned economy to a market-based system.

Specifically, the project aims to repair 1,300 oil wells, drill 84 new wells in existing fields and replace 1,000 kilometers of pipeline. Equipment will be provided to produce petroleum products for oil operations and to snare gas and liquids lost in wasteful production. The project will also pay for technical assistance, data processing and training for the three associations.

Russia's policy reforms aimed at making the oil sector more attractive to foreign investment will also be supported by the project. In their current condition, Russia's oil operations would need $50 billion in funding by 2000 to stop the production freefall. But neither the Russian government, nor Russian oil industries or international institutions like the World Bank can garner that much support. Instead, Russia needs to lure the money from private investors by reforming policies, offering incentives and creating an investment-friendly environment. The plan calls for reforming energy prices and taxes, drafting acceptable oil laws, clearing up which government institutions are responsible for the oil sector and streamlining investment procedures.

Total oil production in Russia has fallen

See RUSSIA, *page 5*

BURKINA FASO The government will launch preparations for the Ouagadougou Water Supply Project with support from a credit of SDR 3 million ($4.25 million) from the International Development Association (IDA). The water project is geared toward securing access to a clean and reliable supply of water.

CHAD An IDA credit of SDR 26.2 million ($37 million) will help improve the country's economically vital transport sector. The project will repair the existing network of roads and bridges, construct 300 kilometers of secondary roads and strengthen government transport institutions.

CHINA The government will strengthen its institutional capacity at the national level for developing and implementing environmental policies and programs with support from an IDA credit of SDR 35.3 million ($50 million). The project will also support environmental research.

COSTA RICA A $26 million World Bank loan will help Costa Rica build an institutionally sound and financially sustainable water supply and sewerage organization capable of operating efficiently and meeting growing service demands. The project aims to achieve a framework of sound sector policies and institutional arrangements to enhance the sector's sustainability.

MAURITANIA An IDA credit of SDR 8.9 million ($12.5 million) will help finance a project aimed at improving the quality and relevance of technical education and vocational training. The project will provide better opportunities and increased access to vocational training and involve employers in the training process.

NIGERIA Health standards and living conditions in Lagos will be improved for 225,000 people with help from an IDA credit of SDR 44.5 million ($63 million). The project targets areas of the city subject to regular flooding and will improve stormwater drainage in priority areas.

PHILIPPINES A $110 million Bank loan will help alleviate power shortages and ensure a stable power supply in Luzon. The project aims to avoid substantial economic losses of $600 million to $800 million a year.

ZAMBIA The government will design and implement transport sector policy reforms with support from an IDA credit of SDR 6.2 million ($8.5 million). The credit will support a program to improve public sector management, create an "enabling environment" for the private sector and contribute to poverty alleviation.

ZIMBABWE A $64.5 million Bank loan will help the government reduce the incidence and impact of sexually transmitted infections (STIs). By focusing on detection and cure of STIs, the project uses one of the most cost-effective interventions to inhibit the spread of the AIDS-causing human immunodeficiency virus.

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JUNE				
24-25	Consultative Group for Ghana	World Bank	Paris	(33-1) 40-69-3016
24-25	Seventh London Conference on Privatization and Commercialization	Adam Smith Institute	Westminster, U.K.	(44-71) 222-4995
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29-30	Indonesia Consultative Group Meeting	World Bank	Paris	(33-1) 40-69-3016
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6	Publication of *World Development Report 1993: Investing in Health*	World Bank	Washington	(202) 473-1784*
7-9	Economic Summit	Group of Seven	Tokyo	(81-3) 3592-0156
11	World Population Day	United Nations		(0222) 211310
SEPTEMBER				
6-11	International Symposia on Industry and Environment in the Developing World	UNESCO	Cairo, Egypt	(96-26) 694-351 ext. 603
8-11	International Conference on HIV In Children and Mothers	Pediatric AIDS Resource Center	Edinburgh, U.K.	(44-31) 668-4407
9-10	Conference on Portfolio Investment Flows to Developing Countries	World Bank	Washington	(202) 473-3914*
20-23	Towards Education for All	University of Brunei Darussalam	Brunei Darussalam	(673-2) 427001
27-30	Today's Child, Tomorrow's World	National Association of Children's Hospitals	Atlanta, GA	(703) 684-1355*
OCTOBER				
4-5	Asia-Pacific Region Business And Investment Conference	Asia Business Journal	Boston	(617) 963-2938*
13-15	Europe/East Asia Economic Forum	World Economic Forum	Hong Kong	(41-22) 736-0243
APRIL 1994				
4-7	Fifth Global Warming Science and Policy International Conference and Expo	Global Warming International Center	San Francisco	(708) 910-1551*

Editor's Note: *Development Agenda* is a feature that alerts journalists to key news events in the field of economic development. Journalists should contact sponsoring agencies for details about each event. Asterisk indicates telephone number is in the U.S.A. All other telephone numbers include country and city codes.

Oil Production Fell 30 Percent

RUSSIA, *from page 3*

from a peak of 570 million tons in 1987 to 396 million tons in 1992. Part of the drop comes from the breakup of the trade regime between former Soviet states which increasingly left Russia without vital oil-related products flowing from suppliers in Azerbaijan and Ukraine.

Without spare parts, some oil wells in Russia were forced to cut back on production or shut down completely. The oil operations also suffered from poor management and technology and problems in coordinating oil production. As oil production fell, the amount of petroleum Russia exported dropped, denying the government badly needed revenues.

Energy products play a big role in the Russian economy. Russia holds 10 percent of the world's oil reserves, 40 percent of natural gas reserves, 10 percent of its hard coal deposits and 20 percent of its brown coal. Russia is the second-largest energy producer in the world and the largest exporter of energy. □

Environmental Impact

The $1 billion Russian oil project will not affect the roughly 150 indigenous families of the Khanty tribe who live in the Western Siberian project area. Since the project plans to drill new wells only in existing fields, not in "greenfield" sites, it will not impose new environmental or social burdens on the local people.

Also, the project will have a positive impact on the local environment. Currently, many of the oil operations are prone to leaks which then spill off into local rivers and lakes. But under the project, the leaking pipelines will be replaced.

Installing natural gas liquid extraction units will also cut down on the amount of hydrocarbons and particulates that are emitted into the air by the oil operations. The project aims to reduce the amount of gas flared by 20 percent and eliminate most of the particulate emissions.

MIGA News

Investment Guarantee in Russia Will Aid Environmental Project At World's Largest Steel Mill

The Multilateral Investment Guarantee Agency (MIGA) has insured its first investment in Russia, the agency announced on June 22.

MIGA has provided political risk insurance to MultiServ Russia, S.A. for an investment of up to $11 million in machinery and equipment for a steel slag-processing recovery operation in Magnitogorsk, Russia.

MultiServ is a company incorporated in Belgium. The MultiServ Group provides metal recovery, waste management and processing services to metal industries in more than 20 countries.

The investment will take place at the facilities of Magnitogorsk Metall Kombinat, the world's largest steel mill, and will help introduce modern metal-recovery systems in Russia and process environmentally hazardous stockpiles of slag for use in road construction. □

Meetings and Events

World Bank VP Spells Out Actions Taken in Response to Earth Summit

Last year's United Nations Conference on the Environment and Development or "Earth Summit" set out goals for the international community to tackle environmental problems in the developing world. Ismail Serageldin, World Bank Vice President for Environmentally Sustainable Development, explained to an audience in New York on June 18 what the Bank has done to help meet the Earth Summit's goals. Excerpts from his address follow.

The World Bank's contribution to our member countries' efforts to protect and enhance the environment while accelerating development has four components.

First, we are actively assisting member countries as they seek to strengthen their environmental institutions, policies and investments.

Second, in addition to providing direct support to environmental projects, the World Bank continues to strive to make all of our lending environmentally and socially benign.

The third element of our "post-Rio" agenda is to build upon the positive "win-win" links between development and the environment. We are therefore actively expanding our programs which are directed toward poverty reduction and economic efficiency which are also beneficial for the environment.

The fourth element of our action plan for sustainable development concerns our work on global environmental challenges. Our partnership in the Global Environment Facility is central to our efforts.

The Bank is actively recruiting specialists in the fields of ecology, biology, environmental engineering and sociology. Twenty years ago, we had one environmental specialist at the Bank. Today, we have 150, and the number will rise.

As part of our follow-up to Rio, we have created a new vice presidency for environmentally sustainable development in which we have brought together the work of the environment, agriculture, infrastructure and urban departments to encourage a more integrated and multidisciplinary approach.

We are also forging stronger links with other key United Nations agencies. Building partnerships requires greater openness and greater disclosure of information and documents. We are working hard to become more transparent. □

Peru's Reforms Are Paying Off

Peru's economic-reform and poverty-reduction programs may receive up to $900 million in financial assistance during the next two years from 10 aid-donor nations and 10 international organizations, including the World Bank.

The tentative aid pledges were made in Paris on June 22 by a group representing the aid donors and international organizations. The meeting of the Informal Consultative Group for Peru was sponsored by the World Bank.

According to a statement issued by the group at the end of a two-day meeting, the economic reforms carried out by Peru so far have had substantial payoffs. Hyperinflation—36,000 percent a year in 1990—has been halted, and the economy has grown by 3.2 percent during the first four months of 1993.

Peru stabilized its economy through reforms in trade, taxation, the social security system, and the social, agricultural and financial sectors.

But the group noted that Peru still needed to carry out additional reforms, particularly ones that would help reduce the incidence of poverty in the country. Government representatives said that social programs will target the "extremely poor" and include the provision of basic services and address basic needs in nutrition, health, education and water supply. □

UNICEF/Fran Antmann

Peru will build up programs to aid the poorest, most vulnerable people, such as these orphans in Lima.

Aid Donors Pledge $840 Million for Sri Lanka

Sri Lanka received support of $840 million on June 18 for its economic and social development from the Sri Lanka Aid Group at a meeting chaired by the World Bank.

At the meeting, which took place in Paris, the delegates from 13 countries and four multilateral institutions reaffirmed their financial support for the country and commended the government's economic progress. Since 1989, Sri Lanka's economy has grown by an average 5 percent per year.

The donors also congratulated the people of Sri Lanka for orderly provincial elections in the wake of the assassinations of President Premadasa and opposition leader Lalith Athulathmudali. But several donors expressed concern over the budgetary and monetary pressures which, in late 1992 and early 1993, resulted from large public enterprise losses, and increases in civil service wages and debt service obligations, among other causes.

The government, meanwhile, reiterated its commitment to market-oriented economic policies with emphasis on export growth and private investment, as well as to poverty alleviation. □

WORLD BANK NEWS

Richard Kollodge, Editor
Christopher Bright, Production Assistant
Andrew Kircher, Reporter

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The World Bank Group is the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). IBRD is the main lending arm of the World Bank. IDA is the World Bank affiliate that lends on concessional terms to the poorest countries. IFC finances private sector projects and advises businesses and governments on investment issues. MIGA promotes foreign direct investment through guarantees, policy advice, and promotional services.

WORLD BANK NEWS

Volume XII, No. 26 July 2, 1993

WORLD DEVELOPMENT REPORT 1993

Investments in Health Care Could Save Millions of Lives

The following stories on World Development Report 1993 *are embargoed for release on July 6 at 4 p.m. EDT (2000 GMT).*

Health conditions around the world have improved more in the past 40 years than in all of human history, according to *World Development Report 1993*, published in Washington by the World Bank on July 6.

Life expectancy at birth in the developing world rose from 40 years to 63 years during the past four decades. The number of children who died before their fifth birthday decreased from almost three in 10 to one in 10. Smallpox, which killed more than 5 million annually in the early 1950s, has been eradicated.

Yet developing countries, and especially their poor, continue to suffer a heavy "burden of disease," much of which can be inexpensively prevented or cured, writes World Bank President Lewis Preston in a foreword to the re-

See WDR, *page 2*

Woman receives vaccination in Kabong, Uganda

India Strives To Eliminate Leprosy by 2000

More than one-third of the world's people affected by leprosy live in India. And although the Indian government is gaining ground in its fight against the disease, leprosy persists throughout the country.

But there may be new hope for the 4 million Indians affected by the bacterial disease which can cause crippling, disfigurement and social isolation. Under a new six-year program, India intends to eliminate leprosy as a public health problem by 2000. On June 29, the International Development Association (IDA) approved a credit of SDR 60 million ($85 million) in support of the plan.

"India is winning the battle against leprosy but this project accelerates the fight," says Salim Habayeb, senior public health physician in the World Bank's South Asia Region. "Instead of eliminating leprosy in 20 years, this project will help tackle the problem by the end of the decade."

The IDA-funded project aims to stop the march of leprosy in mainly rural areas and among the 2.2 million Indians

See INDIA, *page 8*

Many of Yemen's rural clinics lack doctors and medical supplies. That may soon change as a result of a new project. **9**

International Finance Corporation to get a new chief. Aid donors pledge $2.1 billion for Ghana. **10**

Indonesia receives pledges of $5.1 billion to support sustained growth, poverty reduction and environmental protection. **12**

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Lending roundup, page 11

Micronesia joins IBRD, page 12

WORLD DEVELOPMENT REPORT 1993

Many Basic Health Programs Face Funding Shortfalls

WDR, *from page 1*

port. Child mortality rates in the poorest countries today are about 10 times greater than those in the richest nations. Complications of pregnancy and childbirth claim the lives of about 400,000 women each year in developing countries where maternal mortality rates are up to 30 times higher than in high-income nations.

"Millions of lives and billions of dollars could be saved," the report argues, even in the face of three major health challenges over the next few decades: the aging of populations, AIDS and drug-resistant strains of disease. The report proposes that governments adopt a three-part approach to health reform:

- foster an enabling environment for households to improve health;
- improve government spending in health; and
- promote diversity and competition in the provision of health services.

Progress Impeded

Major problems in some countries' health systems will slow progress in reducing the burden of premature mortality and disability, the report says. These problems will also hamper efforts to respond to new health challenges and emerging disease threats. They include:

- Misallocation of public resources by spending on health interventions with low cost-effectiveness while critical and highly effective programs are underfunded.
- Inequity, reflected in the disproportionate amount of government spending that benefits the affluent while the poor lack access to basic health services and receive low-quality care.
- Inefficiency in the choice of pharmaceuticals, deployment and supervision of health workers and utilization of hospital beds.
- A cost explosion in some middle-income developing countries, resulting from rising numbers of physicians, new and expensive medical technologies and the link between expanding health insurance and fee-for-service payments to physicians.

Recommendations

Because overall economic growth and education contribute to good health, gov-

continued at top of next page

UNICEF/Shehzad Noorani

Women in Hindu Pala, Bangladesh, bring children to rural clinic for vaccinations and "oral rehydration therapy."

Cost-Effective Programs Include Immunizations

continued from previous page

ernments should pursue sound macroeconomic policies with a pro-poor focus and expand basic schooling, especially for girls, the report recommends. Governments should sharply redirect spending from the top levels of the health system to basic public health programs such as immunization and AIDS prevention and essential clinical services such as family planning and treatment for tuberculosis.

Governments should also foster competition in the supply of health "inputs," such as drugs and equipment. They should encourage a wide range of organizations, including non-governmental agencies and private doctors and hospitals to provide health services. Government regulation of privately delivered health services is also required to ensure safety and quality. Regulation of public and private insurance is needed to achieve broad coverage of the population and to discourage practices that lead to overuse of services and escalation of costs.

Increasing the income of people living in poverty is the most effective economic policy for improving health, the report asserts, adding that the poor are most likely to spend additional income on improving their diet, obtaining safe water and upgrading sanitation and housing. Even without income growth, health promotion can be achieved by expanding schooling, since better-educated people seek and utilize health information more effectively than those with little or no schooling. Schooling of girls is particularly beneficial, in view of the pivotal role of women in household nutrition, health care and hygiene.

A priority for government spending should be a limited package of public health measures and "essential clinical interventions," the study declares. The most cost-effective public health activities include immunization, school-based health services, information about family planning and nutrition, programs to reduce tobacco and alcohol consumption, and AIDS prevention. Essential clinical care in all countries should involve at least prenatal and delivery care, family planning, basic care of the sick child and simple treatments for tuberculosis and sexually transmitted diseases.

This minimum package could cost as little as $12 per person annually in low-income countries and reduce the current burden of disease by about 25 percent. Adoption of the package in all developing countries would require a quadrupling of expenditures on public health, from $5 billion at present to $20 billion annually and an increase from about $20 billion to $40 billion in spending on essential clinical services. In middle-income countries, this will require a redirection of current public spending for health. In low-income countries, it will require some combination of higher spending by governments, donor agencies and patients along with a reorientation of existing health expenditure.

Reorienting Spending

In many countries, public investment and spending are concentrated unduly on highly specialized services, facilities, training and equipment, despite the fact

See **WDR,** *page 4*

The Economic Impact of AIDS

The AIDS epidemic, through its effects on savings and productivity, poses a threat to economic growth in many countries that are already in distress, according to *World Development Report 1993.*

World Bank research shows that per capita income growth could slow down a little more than a half of a percentage point annually in the 10 worst-affected countries in sub-Saharan Africa.

The heavy economic impact of AIDS comes partly from the high costs of treatment that divert resources from so-called "productive" investments. Depending on how much medical care a patient gets, the total cost per adult death in a typical developing country ranges from 8 percent to 400 percent of annual per capita income.

The fact that AIDS kills so many skilled adults adds to the disease's economic impact, the report adds.

The death of an adult can tip vulnerable households into poverty. In Tanzania, for example, affected rural households in 1991 spent an average of $60—about the same as the average annual per capita rural income—on treatment and funerals.

World Bank research shows that the effects of losing an adult persist into the next generation as children are withdrawn from school to help at home. School attendance of people between the ages of 15 and 20 is reduced by half if the household has lost an adult female family member in the previous year.

Annual Per Capita Spending on Drugs
Selected Countries, 1990

Country	Expenditure ($)
Japan	412
Germany	222
United States	191
Canada	124
United Kingdom	97
Norway	89
Costa Rica	37
Chile	30
Mexico	28
Turkey	21
Morocco	17
Brazil	16
Philippines	11
Ghana	10
China	7
Pakistan	7
Indonesia	5
Kenya	4
India	3
Bangladesh	2
Mozambique	2

Aid Donors Promote Primary Preventive Care

WDR, *from page 3*

that the most cost-effective public health and clinical interventions are best delivered at the level of the district hospital or below. Public policy can play a useful role in redressing the balance. International aid for health in recent years has shifted away from hospitals and high-technology curative medicine toward primary and preventative care, but more can be done.

By reducing spending on services outside the national package, governments can concentrate on providing essential care to the poor. Spending can be reallocated by increased cost recovery, especially by charging the wealthy for services in government hospitals. Another step would be to promote unsubsidized health insurance for middle- and upper-income groups.

The explosion in health expenditures now facing many countries can be avoided by government encouragement of competition among providers and prepayment to care-providing institutions, dissemination of information on providers' prices and insurers' products and, in some cases, setting limits on compensation of physicians and hospitals, the study states.

Greater reliance on non-governmental organizations and the private sector to deliver clinical services can help to improve quality and raise efficiency, the report maintains. At the same time, much can be done to increase the efficiency of government health services through decentralization and competitive procurement of drugs, equipment and non-medical services. In the area of health insurance, government regulation is important to prevent discrimination against people with high health risks, to assist cost containment and to focus spending on cost-effective interventions.

UNICEF/Sean Sprague

Girl brings her sibling to vaccination clinic in Mexico.

Reform and Aid

"The world's diversity of health care systems is matched by the diversity of reform movements," the report notes and cites some common themes of reform:

- Governments are increasingly recognizing the centrality of their own role in public health.
- Governments are exploring ways to introduce more competition and private sector involvement in the delivery of clinical services.
- New approaches to health-care financing and insurance systems are being examined to ensure broad coverage of the population, avoid public subsidies for the affluent and control health care spending.

Reform is difficult, however, because an array of interest groups may stand to lose and because many of the changes will require the development of new institutional capabilities. Nevertheless, the report observes, a number of developing

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Improvements Will Require An Additional $2 Billion in Aid

continued from previous page

countries have shown in recent years that broad reforms in the health sector are possible when there is sufficient political will and when changes to the health system are designed and implemented by capable planners and managers.

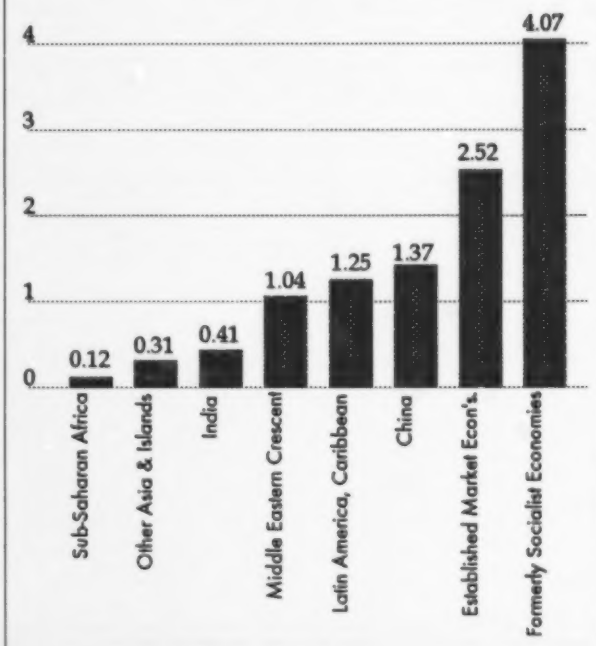
Countries willing to undertake major reforms in health policy should be strong candidates for increased external assistance, the study argues. An increasing number of donors, including the World Bank, which has quadrupled its lending for health over the past six years, are now supporting these broad reforms.

Stronger donor coordination would improve the effectiveness of aid. An increase of $2 billion annually in donor assistance—raising health's share of total official aid from 6 percent to 9 percent—is needed to improve services to the poor and to help control such diseases as tuberculosis and AIDS.

If developing countries and donors embrace the key health policy reforms contained in the report, improvements in human welfare in the coming years would be enormous. A large share of the current burden of disease—perhaps as much as one-fourth—will be prevented. And people around the world, especially the more than 1 billion people now living in poverty, will live longer, healthier and more productive lives. □

For more information about World Development Report 1993, *contact Bill Brannigan at (202) 473-1784.*

Physicians Per 1,000 People



Violence Against Women as a Health Issue

Statistics from developed and developing countries show that between two and five of every 10 women surveyed say they have been beaten by their partners, states *World Development Report 1993.*

This abuse is often systematic and devastating. In Papua New Guinea, for example, 18 percent of all urban wives surveyed had sought hospital treatment for injuries inflicted by their husbands. In the United States, domestic violence is the leading cause of injury among women of reproductive age. Between 22 percent and 35 percent of women visiting U.S. emergency rooms are seeking treatment for injuries stemming from domestic violence.

Research has shown that battered women run twice the risk of miscarriage and four times the risk of having a baby that is below average weight.

In some places, violence accounts for a sizable portion of maternal deaths. In Matlab Thana, Bangladesh, for example, intentional injury during pregnancy—often the result of dowry disputes or of shame about rape or pregnancy outside of marriage—caused 6 percent of all maternal deaths between 1976 and 1986. Research from the United States shows that battered women are four to five times as likely to require psychiatric treatment as women who aren't battered and are five times as likely to attempt suicide. They are also more prone to alcohol abuse, drug dependence, chronic pain, and depression.

Rape and sexual abuse also damage women's health and are widespread in all regions. In Seoul, 17 percent of women report being victims of attempted or actual rape. In one study of U.S. women, a history of rape or assault was a stronger predictor of how many times women sought medical help and the severity of their health problems than was a woman's age or unhealthy habits, such as smoking.

In addition to physical injury and emotional trauma, rape victims run the risk of becoming pregnant or contracting sexually transmitted diseases.

Another form of violence against women and girls is female genital mutilation, commonly known as female circumcision. An estimated 85 million to 114 million women in the world today have experienced genital mutilation.

Female circumcision poses a health risk to girls and women and threatens their psychological, sexual and reproductive well-being. The consequences can include hemorrhage, tetanus, infection, urine retention and shock.

Developing Countries Face "Monumental" Health Challenges

The following are excerpts from a statement made by Dean Jamison at a pre-publication press briefing on* World Development Report 1993. *Jamison led a team of experts who prepared the report.

Research undertaken for this report reveals that the global burden of premature death and disability in 1990 amounted to 1.4 billion years of health life lost.

This is the equivalent of every man, woman, and child around the world losing one quarter of a fully health life.

The continuing toll from specific diseases, which are easily prevented or cured at low cost, is staggering:

- Nearly 2 million children die each year of diseases, such as measles, tetanus and whooping cough, which can be prevented with inexpensive vaccines.
- More than 2 million adults die each year of tuberculosis.
- Almost 500,000 women die every year from complications of pregnancy and childbirth.

New health threats are also arising today, threatening to undermine hard-won gains:

- Unless the AIDS epidemic is controlled soon, the annual death toll from this disease worldwide could reach more than 2 million by the end of this decade.
- Malaria and tuberculosis are showing increased resistance to the drugs used to treat these diseases.
- Current upward trends in smoking in developing countries mean more than 10 million people—mostly young adults—will die each year from lung and heart disease a little more than 30 years from now.

Unfortunately, health systems around the world are not well prepared to deal with these monumental challenges. These systems would perform much better if the right policies were adopted. Much of the nearly $2 trillion devoted to health services is either spent on the wrong things, wasted, or used primarily to help "better-off" people.

Costly treatments are prescribed to prolong life only slightly, while inexpensive services that extend life greatly, such as immunizations, are underfunded. Waste occurs for many reasons, such as misguided hospital planning and weak selection and storage of drugs. And in many countries, poor families have to travel long distances to health facilities and then wait for hours to receive low-quality care. □

UNICEF/Sean Sprague

Doctor examines child at community clinic in Putian in China's Fujian Province.

Date	Event	Sponsor	Location	Telephone
JULY				
1-2	India Consortium Meeting	World Bank	Paris	(33-1) 40-69-3016
4-9	World Congress on Family and Children's Rights	Asia Foundation	Sydney, Australia	(679) 304-955
6	Publication of *World Development Report 1993: Investing in Health*	World Bank	Washington	(202) 473-1784*
7-9	Economic Summit	Group of Seven	Tokyo	(81-3) 3592-0156
11	World Population Day	United Nations		(0222) 211310
12-13	Tanzania Consultative Group Meeting	World Bank	Paris	(33-1) 40-69-3016
SEPTEMBER				
6-11	International Symposia on Industry and Environment in the Developing World	UNESCO	Cairo, Egypt	(96-26) 694-351 ext. 603
8-11	International Conference on HIV In Children and Mothers	Pediatric AIDS Resource Center	Edinburgh, U.K.	(44-31) 668-4407
9-10	Conference on Portfolio Investment Flows to Developing Countries	World Bank	Washington	(202) 473-3914*
20	Publication of World Bank *Annual Report 1993*	World Bank	Washington	(202) 473-1784*
20-23	Towards Education for All	University of Brunei Darussalam	Brunei Darussalam	(673-2) 427001
25-Oct. 1	International Conference on Sustainable Village-Based Development	Colorado State University Department of Civil Engineering	Fort Collins, Colorado	(303) 491-5753*
27-30	Today's Child, Tomorrow's World	National Association of Children's Hospitals	Atlanta, GA	(703) 684-1355*
28-30	Annual Meetings	World Bank, International Monetary Fund	Washington	(202) 473-1784*
30-Oct. 1	Conference on Valuing the Environment	World Bank	Washington	(202) 473-1787*
OCTOBER				
4-5	Asia-Pacific Region Business And Investment Conference	Asia Business Journal	Boston	(617) 963-2938*
13-15	Europe/East Asia Economic Forum	World Economic Forum	Hong Kong	(41-22) 736-0243
14	Meeting of Consultative Group For Moldova	World Bank	Paris	(33-1) 40-69-3016
15	Meeting of Consultative Group For Belarus	World Bank	Paris	(33-1) 40-69-3016

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LENDING

Leprosy Takes Disproportionate Toll on the Poor

INDIA, *from page 1*

now suffering from the disease and the 1.8 million expected to show the illness during the 1990s. The poor, who are hardest hit by the disease because of a lack of access to health care, will benefit the most under the plan. The project also aims to help the 1.6 million women suffering from the illness by improving care aimed at reaching women.

Salim Habayeb

"In 1992, IDA helped India launch a project to fight AIDS, one of the world's newest and most deadly diseases. But this year, we're helping India to tackle leprosy, one of the oldest diseases known to man," says Habayeb.

The bulk of the project will bring a revolutionary leprosy treatment to 66 hard-hit districts that have not been covered by leprosy campaigns before and continue the treatment in 135 other affected districts. Until the 1980s, only the drug dapsone was used to treat leprosy patients in India and throughout the world. But the drug met with limited success because it was weak and took a lifetime to administer.

During the 1980s, though, health officals started to use a successful combination of three drugs known as the multidrug therapy (MDT), an innovation developed in part with financing from the World Bank. The daily treatment with monthly boosters, which can be offered in easy-to-use kits and requires only six months to two years to take effect, succeeded in reducing leprosy in all of the 135 districts.

To bring MDT to all leprosy patients, the project will train some 160,000 health workers in care of the disease. Health personnel will then go to main access points in each of the districts, administer the treatment and offer an improved package of services. Field workers will conduct rapid surveys of leprosy in the areas and personally keep watch on patients' progress. Seventy-seven moderately hit districts will also receive improved leprosy care.

Disability Care

Aside from stopping and preventing leprosy, the project will also offer disability care for patients. Treatment for skin ulcers, physical therapy and oil massages will be administered to improve the use of affected limbs. Patients will be encouraged to use rubber sandals to prevent new infections through their feet.

For the patients who have already lost limbs to leprosy, the project will pay for reconstructive surgery to correct deformities and for plaster units to allow patients to use their hands again.

"By being able to use their limbs, leprosy patients can start to make money again, and that will give them more dignity and self-respect. Also, one study estimates that if leprosy deformities are corrected, patients can bring in a total of $130 million per year in earnings for the Indian economy," says Habayeb.

Public awareness and community participation will also receive a big boost from the project. Informal education efforts will bring "awareness camps" to communities to raise understanding of leprosy and to discourage stigmatizing of people afflicted by the disease.

Women will receive special attention under the project. For example, more women will be hired as health workers to better interact with female patients and leprosy surveys will especially target females. Often, women do not seek treatment because they are conditioned to ignore illnesses until the problem is severe. Also, leprosy is inaccurately linked to promiscuity and limits a woman's chances of marriage.

India started its modern campaign against leprosy in 1955 and sped up the program in 1983 with the use of MDT. But despite the effort, the government was strapped by limited funds and could not reach all areas of the country, especially remote villages.

Currently, leprosy plagues all areas of India but afflicts the central and southeastern parts of the country the most. Nationally, an average of 2.4 persons per 1,000 has leprosy. About 201 of India's 455 districts are severely affected, with 5 or more persons per 1,000 saddled with the disease. Another 77 districts are moderately affected, with anywhere from 2 to 5 persons per 1,000 afflicted.

Under the new project, the national leprosy rate would drop to 1 person per 10,000. That figure would match the worldwide resolution to eliminate leprosy by 2000 adopted by the 44th World Health Assembly in 1991. □

Leprosy Affects All Ages

Leprosy, also known as Hansen's disease, affects people of all ages, with children making up about 15 percent of patients.

Leprosy is a chronic, slow developing disease caused by Mycobacterium leprae, which mainly affects peripheral nerves. Most people exposed to leprosy show no signs or symptoms of disease and recover naturally. But those who develop the disease experience skin "patches." If these people do not receive treatment, they may develop disabilities. Patients may suffer from sensory loss, paralysis and loss of function of the hands, feet and eyes.

About 30 percent of untreated patients suffer from deformities. Those who have leprosy may lose their jobs and are often ostracized from their families and communities.

Yemen Aims to Cure Ailing Health Care

More than half of Yemen's 13 million people lack access to basic health care services. Things that many Westerners take for granted, like doctors, nurses, drugs and blood banks, are often out-of-reach for the average Yemeni, especially in rural areas.

But under a new $30.2 million family-health project, the Yemeni government aims to improve its weak health record. On June 24, the International Development Association (IDA) approved a credit of SDR 18.8 million ($26.6 million) in support of the plan.

The project will improve Yemen's national health care system by repairing run-down rural hospitals and clinics, training government health workers to deliver basic services, creating an efficient nationwide drug-distribution system and carrying out a health-education campaign.

The project includes seven pilot programs aimed at making the health networks of seven of the country's 245 districts fully functioning. The pilot efforts will focus on bringing basic health care to poor rural residents, especially women of reproductive age and children. By focusing on basic health care, Yemen hopes to lower the number of children and women who die during childbirth. Currently, 12 of every 100 Yemeni children die at a very young age and roughly one in every 1,000 births robs the mother of her life.

"Yemen is making the wise move of ensuring that primary health care is available in rural areas," says Alfonso de Guzman, the project's "task manager" in the World Bank's Middle East and North Africa (MENA) Region. "Currently, Yemenis in rural areas must travel long distances for health care because most local clinics are short of staff and supplies. With this project, they won't have to go all the way to the capital for attention."

Doubling Access

By 2000, Yemen plans to bring basic health services to 90 percent of its population. Currently only about 45 percent of the population has access to these services.

The IDA-supported project will help Yemenis reach that goal first by training some 7,000 health personnel, including nurses, midwives and medical assistants. Most rural clinics lack staff who know how to treat even the most basic ailments. About 82 percent of the clinics have no physician, 90 percent are without a midwife and 87 percent have no nurses on site.

"When you look at the health situation in Yemen, it's no surprise that many children and women are dying," says Gail Richardson of the Population and Human Resources Division in the Bank's MENA Region.

"Access to basic health care is extremely limited. We visited many rural health clinics and found that they had only a few types of drugs and no bandages or working equipment. Often, children would be waiting to receive help for diarrhea but the clinics would not even have simple rehydration salts."

Drugs run in short supply in Yemen, with more than a third of rural clinics having fewer than 10 types to dispense. Under the project, Yemen will put a drug distribution system in place that will try to get more drugs and family planning supplies out to the clinics and keep them flowing more regularly. The project will also bring maternal health and family planning messages to the country's major media in hopes of reaching rural women. Television may be especially effective because more than 70 percent of Yemen's population has access to a television.

The project will mainly beef up the district's hospitals and rural clinics in the

See YEMEN, *page 10*

Ruth Massey/UNDP

Babies are weighed at village clinic near Sana'a, Yemen.

Close to 1 Million Yemenis Will Benefit from Project

YEMEN, *from page 9*

seven targeted districts, benefiting some 906,000 people. Medical equipment, hospital furniture and ambulances will be provided and operating rooms and blood banks will also be set up. The pilot programs will also recruit more women into the health field by offering fellowships for learning midwifery and providing housing on hospital grounds for those interested. Having more female staff would encourage more women to seek treatment, thereby reducing the maternal and child mortality rates.

Yemen hopes the project will show how other districts can successfully improve their health care. But part of the project also sets aside funds for government health workers to draw up creative, alternative ways of delivering badly needed services to rural residents. The project will also set up a better plan of maintaining and replacing equipment and supplies at the rural clinics. Almost 60 percent of the clinics are in urgent need of repair and half have no working equipment.

Clinics in Bad Shape

Currently, every Yemeni woman bears an average 7.6 children, giving the country one of the world's highest birth rates. But as Yemen's health statistics show, many of the infants and mothers die during birth.

Severe shortages of medical staff and equipment in rural areas are mainly to blame. Many rural clinics have only three patients a day because Yemenis know that if they made it to the station, they would probably find no knowledgeable medical staff, no equipment and few drugs. Also, most clinics do not offer separate rooms for female patients.

As a result, maternal and infant mortality rates are high. Life expectancy is now only 48 years, about 30 years less than that of industrialized countries.

In recent years, Yemen has started to focus on lowering mortality rates but the government has not had enough money or resources to tackle the problem. Also, the country's 3.6 percent population growth rate continues to hamper Yemen's development. More than half of Yemen's population is now under the age of 15.

"Yemen has recently been one of the fastest-growing countries in the world," says de Guzman. "No matter how well they focus on development, the rapid birth rate keeps undermining their efforts."

The IDA-supported project is being coordinated with the work of foreign-aid donors and non-governmental organizations. It is closely linked to work by the World Health Organization, the United Nations Fund for Population Activities and the U.N. Children's Fund. □

IFC News

New Chief Appointed

World Bank President Lewis Preston on June 28 announced the appointment of Jannik Lindbaek as Executive Vice President of the International Finance Corporation (IFC), effective January 1, 1994.

Lindbaek will succeed Sir William Ryrie, who has led IFC since 1984 and is to retire in December.

Lindbaek, a Norwegian national, has been president and chief executive officer of the Nordic Investment Bank (NIB) since 1986. NIB is a multilateral financial institution based in Helsinki and owned by the five Nordic countries.

Previously, he was president and chief executive officer of Storebrand Insurance Group, Norway's largest insurance company, and executive vice president of Vesta Insurance Group.

Jannik Lindbaek

Born in Oslo, Norway, in 1939, Lindbaek attended the Norwegian School of Business Administration and Economics and was a Fulbright Scholar.

IFC, a member of the World Bank Group, promotes economic development by lending directly to the private sector. □

Consultative Groups

Ghana Receives $2.1 Billion

Ghana received preliminary indications of commitments totaling $2.1 billion in assistance for 1993 and 1994 during a World Bank-chaired meeting of donors in Paris from June 24 to 25.

The sum significantly exceeded the $1.7 billion the Bank indicated to be the minimum level to meet Ghana's import requirements for the two years. The higher-than-projected aid estimates will allow Ghana to rebuild its stock of international reserves, which were drawn down last year in the face of shortfalls in external assistance and a decline in cocoa prices.

The donors commended the Government of Ghana for its success in implementing its comprehensive economic reform program, now in its 10th year. Participants also congratulated the authorities for the peaceful transition to democratic rule, based on parliamentary and presidential elections late last year. The government stated its intention to build on the momentum gained under its economic recovery program to establish the basis for accelerated and sustainable growth and poverty reduction.

The Consultative Group meeting included 11 donor countries and 12 multilateral and bilateral institutions. □

ALBANIA The government will launch an 18-month structural reform program in the agriculture sector with help from a credit of SDR 14.2 million ($20 million) from the International Development Association (IDA). The funds will provide a line of credit for rural entrepreneurs and funds for technical assistance for the reform program.

BENIN An IDA credit of SDR 2.8 million ($3.8 million) will help further develop the Rural Savings and Loan Cooperative Network. The scheme aims to provide safekeeping services and credit to members and help mobilize rural savings.

BOLIVIA The government will expand the coverage and improve the quality of child development programs in poor urban and peri-urban areas of the 34 largest cities with help from an IDA credit of SDR 35.8 million ($50.7 million). Also, an IDA credit of SDR 28.3 million ($40 million) will support the government's efforts to improve basic services in the health, education, water supply and sanitation sectors.

BRAZIL A $128.5 million World Bank loan will help Brazil improve public transportation in Rio de Janeiro. Stations and tracks will be rehabilitated and new engineering equipment supplied.

BULGARIA A $55 million World Bank loan will help provide financial and technical assistance for private enterprises, privatized state enterprises and private exporters. The support will help expand viable private and privatized enterprises and generate 15,000 new full-time jobs.

ETHIOPIA The first phase of the Transitional Government of Ethiopia's economic policy will be supported by an IDA credit of SDR 176.5 million ($250 million). The policy aims to reduce poverty through rapid labor-intensive growth and a fundamental transformation of the economy from centralized planning to a market-based system.

INDIA A $300 million World Bank loan will support the government's program of increasing competition in domestic markets and make industries more competitive in international markets. Also, a $20 million loan will provide technical assistance to help the government achieve its private sector power development initiative.

INDONESIA The government aims to provide improved water and sanitation services and health education to rural villages with the support of an $80 million World Bank loan. The project will serve 2 million people living in six provinces, including Central Java and five eastern provinces.

MEXICO A $480 million World Bank loan will help the government protect the condition of the federal highways and reduce the backlog of repairs on the most trafficked highways. The project will make highways safer, ensure better management of limited public funds and improve the institutional performance of the government's transport agency.

MOZAMBIQUE The government will carry out a local government reform and engineering project with support from an IDA credit of SDR 16.4 million ($23.2 million). The project will help improve public sector management, create an enabling environment for private sector development and reduce poverty.

ZAMBIA An IDA credit of SDR 72.1 million ($100 million) will support the next stages of Zambia's parastatal reform and privatization program. The adjustment efforts and the reforms supported by the credit are vital for the country's stabilization and growth.

ZIMBABWE The government will launch the second phase of a structural adjustment program with the assistance of an IDA credit totaling SDR 89.3 million ($125 million). The program is expected to increase levels of private investment and stimulate economic growth.

CONSULTATIVE GROUPS

Indonesia Receives Pledges of $5.1 Billion

A World Bank-chaired meeting of donors in Paris on June 30 pledged $5.1 billion of development assistance for Indonesia for the coming year.

The funds aim to support sustained growth, poverty reduction and environmental protection. The total is consistent with the country's estimated external financing requirements and development needs, and exceeds last year's pledge of $4.9 billion.

The group of representatives from 18 nations and 13 international organizations congratulated the Government of Indonesia on the continuity of its sound macroeconomic management and the country's excellent economic performance. During the past decade, Indonesia's non-oil gross domestic product (GDP) has risen by an average of 6.7 percent per year. Non-oil exports, over $24 billion in fiscal 1992/93, are more than six times higher than in 1982/83. Dependence on oil has declined correspondingly.

The Consultative Group (CG) also congratulated the government for the substantial reduction in poverty in Indonesia—from 60 percent of the population in 1970 to 15 percent—one of the most rapid improvements in the world. This was one of the major achievements of the 25-year plan. The reduction in poverty was accompanied by a significant slow-down in population growth, a pronounced decline in infant mortality, and a substantial expansion of school enrollment and health care.

The government continues to put high priority on macroeconomic stability. There was general agreement that without macroeconomic stability, Indonesia could not achieve its other objects of reducing poverty and sustaining growth. Tight fiscal policy, together with improvements in public savings and the quality of public spending, will help sustain rapid growth, reduce the current account deficit further, and ease the external debt burden.

The CG and the government agreed that continued prudence in external borrowing and increasingly sophisticated external debt management would be needed in the context of the rapidly growing and increasingly complex Indonesian economy. The government plans to continue to restrain public external borrowing.

The delegates also considered ways to increase Indonesia's competitiveness and productivity. There was broad agreement that increased productivity would be critical to sustaining high growth. Indonesia faces growing competition from other developing countries in expanding and diversifying its exports and in attracting foreign investment. Domestically, broad-based increases in productivity are the key to supplying consumers with better quality, lower priced goods and to rapid employment growth with increasing wages.

International experience shows that, in addition to macroeconomic stability, sustained productivity growth depends on an incentive framework that encourages export-oriented growth and domestic competition through low protection and limited but effective regulation. Also, it depends on investments in human and physical capital, including foreign direct investment, and on strong institutions, including a public sector that delivers high quality services at low cost.

During 1992/93, Indonesia's economic performance was exceptional as the government's restrained macroeconomic stance cooled an overheated economy. Overall GDP growth reached 5.8 percent. □

Micronesia Joins World Bank

The Federated States of Micronesia joined the International Bank for Reconstruction and Development (IBRD) on June 24. Aloysius Tuuth, Secretary of Finance, signed the IBRD's Articles of Agreement on behalf of Micronesia's government.

The country becomes the 176th member of the IBRD, which is the World Bank Group's main lending arm that provides loans at market rates to member countries to help them finance development projects.

To fulfill its financial obligations as a member of the IBRD, Micronesia is making a payment of $960,556 to the institution.

Micronesia has also become a member of the International Development Association (IDA) and the International Finance Corporation (IFC).

Micronesia has also joined the Bank's International Centre for the Settlement of Investment Disputes.

WORLD BANK NEWS

Richard Kollodge, Editor
Christopher Bright, Production Assistant
Andrew Kircher, Reporter

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WORLD BANK NEWS

Volume XII, No. 27 July 8, 1993

Bhutan Preserves Forests And Meets Fuelwood Demand

Lush forests cover more than half of the South Asian Kingdom of Bhutan, making them the country's largest natural renewable resource. But in recent years, rising numbers of people and livestock have started to chip away at Bhutan's woodlands, raising fears about the future of the forests.

The trend has prompted Bhutan to launch an $8.9 million project aimed at managing its valuable forests in a more sustainable manner. On July 6, the International Development Association (IDA) approved a credit of SDR 3.9 million ($5.4 million) in support of its renewable natural resources plan. The Swiss Development Cooperation is cofinancing the project with $2.7 million.

Herman van Wersch

Under the renewable natural resources management plan, Bhutan will set aside blocks of forest in the populous eastern third of its country for protection against indiscriminate logging and overgrazing. Currently, the law allows local people to cut wood for their household needs without concern for the environment while villagers continue the practice of burning woodlands to provide grazing for livestock and land for crops.

But while it will protect large areas of forest, Bhutan will also select certain forest land for commercial and local needs. Choosing certain areas for production will allow the lands to be used more efficiently and will increase wood output.

Also, by developing a plan for the current use of its forests, Bhutan aims to protect the woodlands for the future development needs of its 1.4 million people.

"This project in eastern Bhutan is both an environmental and an economic effort," says Herman van Wersch, principal operations officer in the Agriculture Division of the World Bank's South Asia Region. "For the first time, Bhutan will look at its forest as a whole and organize a rational plan, matching the multiple uses of the forest with its users. If the project takes root, it will enable Bhutan to manage its forests in a sustainable manner for years to come."

See **BHUTAN**, *page 6*

Lending for FY93 Reaches Record $23.7 Billion

New lending commitments to developing countries from the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) totaled a record $23.7 billion in fiscal 1993, which ended June 30. The comparable figure for fiscal 1992 was $21.7 billion.

In fiscal 1993, IBRD loan commitments amounted to $16.9 billion for 122 projects; IDA credits amounted to $6.8 billion (SDR 4.8 billion) for 123 projects. The respective totals for the previous fiscal year were $15.2 billion for 112 IBRD projects and $6.5 billion for 110 IDA projects.

Preliminary figures for disbursements for fiscal 1993 indicate a total of $18 billion in combined IBRD/IDA gross disbursements, compared with $16.5 billion a year earlier. IBRD gross disbursements totaled $13 billion, an increase of $1.4 billion from the previous fiscal year; IDA gross disbursements amounted to $5 billion, up about $150 million.

New lending commitments to Africa from IBRD/IDA in fiscal 1993 totaled $2.8 billion, a $1.2 billion decline from the amount committed in fiscal 1992 ($4 billion). This year's decline in overall

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India's development programs in 1993 and 1994 will receive more than $7 billion in financing from international aid donors. **2**

Reforms have given Poland's private sector a chance to get ahead. But entrepreneurs still complain about shortages of capital. **4**

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New resrep in Turkey, page 5

Loan to Barbados, page 6

CONSULTATIVE GROUPS

India to Receive Assistance Totaling $7.2 Billion

A group representing aid-donor nations and international organizations will provide India with $7.2 billion in financial assistance to help fund economic reforms and development programs in 1993 and 1994.

The so-called India Consortium made the pledges in Paris during a meeting sponsored by the World Bank July 1-2.

About $2 billion of the total will be provided in the form of "fast-disbursing" assistance.

According to a statement issued by the group at the end of the meeting, India has been "extremely successful" at stabilizing the economy during the past 12 months.

The economy is growing at about 4 percent a year—compared with barely 1 percent in 1991—and inflation has dropped to about 6 percent a year. Foreign-exchange reserves now total about $6.5 billion, and the deficit has been reduced.

But the group called on India to take additional steps "to promote financial stability and rapid, broad-based and sustainable economic growth." The steps should include reforming the nation's tax system, strengthening the "social safety-net" and extending reforms in the agriculture, energy and transportation sectors.

Joe Wood, World Bank Vice President for South Asia, chaired the group's meeting. Montek Ahluwalia, Finance Secretary to the Government of India, led that country's delegation. □

UNICEF/Carolyn Watson

The Consultative Group called on India to strengthen its "social safety-net." In Old Delhi, infants and children receive vaccinations.

Date	Event	Sponsor	Location	Telephone
JULY				
11	World Population Day	United Nations	New York	(0222) 211310
12-13	Tanzania Consultative Group Meeting	World Bank	Paris	(33-1) 40-69-3016
SEPTEMBER				
6-11	International Symposia on Industry and Environment in the Developing World	UNESCO	Cairo, Egypt	(96-26) 694-351 ext. 603
8-11	International Conference on HIV In Children and Mothers	Pediatric AIDS Resource Center	Edinburgh, U.K.	(44-31) 668-4407
9-10	Conference on Portfolio Investment Flows to Developing Countries	World Bank	Washington	(202) 473-3914*
9-12	The Industry Summit	World Economic Forum, Harvard University, MIT	Boston, MA	(41-22) 736-0243
20	Publication of *World Bank Annual Report 1993*	World Bank	Washington	(202) 473-1784*
20-23	Towards Education for All	University of Brunei Darussalam	Brunei Darussalam	(673-2) 427001
25-Oct. 1	International Conference on Sustainable Village-Based Development	Colorado State University Department of Civil Engineering	Fort Collins, CO	(303) 491-5753*
27-30	Today's Child, Tomorrow's World	National Association of Children's Hospitals	Atlanta, GA	(703) 684-1355*
28-30	Annual Meetings	World Bank, International Monetary Fund	Washington	(202) 473-1784*
30-Oct. 1	Conference on Valuing the Environment	World Bank	Washington	(202) 473-1787*
OCTOBER				
4-5	Asia-Pacific Region Business And Investment Conference	Asia Business Journal	Boston	(617) 963-2938*
13-15	Europe/East Asia Economic Forum	World Economic Forum	Hong Kong	(41-22) 736-0243
14	Meeting of Consultative Group For Moldova	World Bank	Paris	(33-1) 40-69-3016
15	Meeting of Consultative Group For Belarus	World Bank	Paris	(33-1) 40-69-3016
18-20	China Forum	World Economic Forum	Beijing	(41-22) 736-0243
NOVEMBER				
18-20	Output Decline in Eastern Europe—Prospects for Recovery?	International Institute for Applied Systems Analysis	Laxenburg, Austria	(43-2236) 71-521

Editor's Note: *Development Agenda* is a feature that alerts journalists to key news events in the field of economic development. Journalists should contact sponsoring agencies for details about each event. Asterisk (*) indicates telephone number is in the U.S.A. All other telephone numbers include country and city codes.

PUBLICATIONS

Entrepreneurs Alive and Well in Poland

Forty years of socialism have not dulled the entrepreneurial spirit in Poland, says a new survey of Polish entrepreneurs carried out by the International Finance Corporation (IFC).

When Poland launched its "big bang" economic reforms in January 1990, thousands of risk-takers responded, says the IFC report, *Coping With Capitalism, The New Polish Entrepreneurs*. Private businesses sprouted up all over the country, selling everything from flowers to auto parts and computer services.

But the 75 Polish entrepreneurs interviewed for the study say that despite the growth of private companies, some obstacles remain. Poor access to credit is one of the main obstacles for new businesses.

"By all accounts, the private sector in Poland has responded with alacrity to the new business environment," says the study, written by Brian Pinto, lead economist in the IFC's Economics Department, and two consultants, Bohdan Wyznikiewicz and Maciej Grabowski. "The survey finds that there is no dearth of entrepreneurship, ability to exploit profit opportunities or to think big. The biggest constraint is financial."

The IFC, a World Bank affiliate, promotes the economic development of its member countries through investment in the private sector.

The entrepreneurs interviewed by the survey, typically between the ages of 36 and 45, run small- to medium-sized businesses, each employing anywhere from 20 to 400 people.

Many of the entrepreneurs left jobs at state-owned enterprises where their salary reached $100 per month at best, before the economic reforms took place. The desire for more money, independence and a challenge drove them to launch operations making products ranging from cosmetics and plastics to toys and pharmaceuticals.

Benefits of Big Bang

Many of the businessmen and businesswomen had already opened shop when Poland embarked on its economic reforms of 1990, thanks to relatively pro-business laws. The law on economic activity of December 1989, which removed state monopolies over economic activity, proved important in stimulating private response.

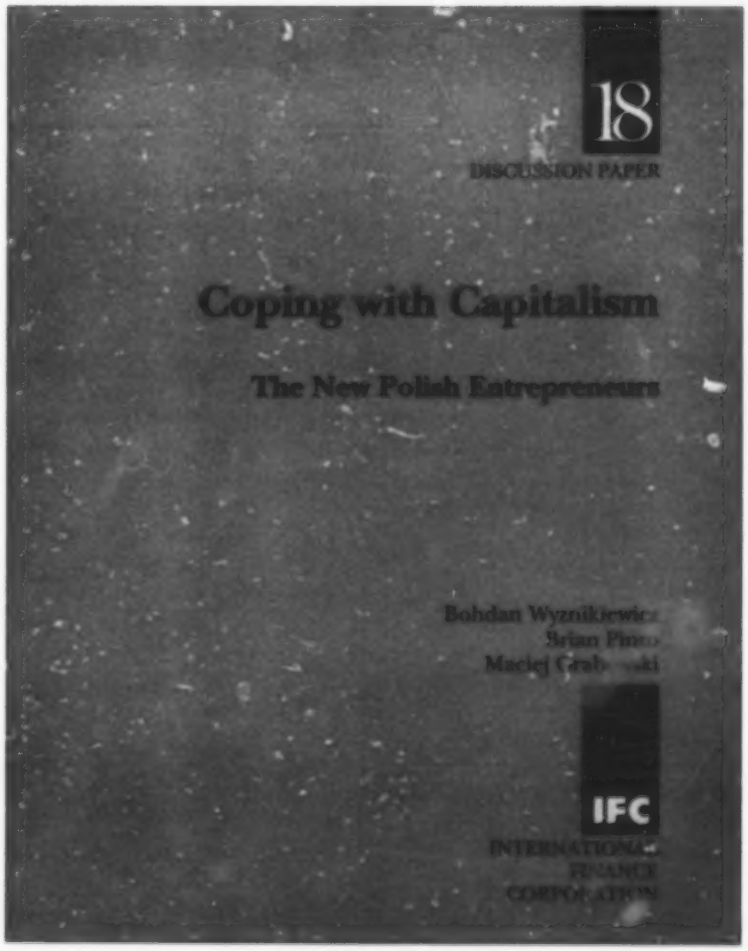
But almost everyone points to the big bang reforms of 1990 as a watershed for the growth of their businesses. Under the program, the government sharply devalued the currency and made it convertible for commercial transactions, largely freed prices and interest rates, and drastically cut subsidies to state-owned enterprises. Sales in the 75 operations now average $2 million annually with average yearly profits of $100,000.

The new economic reforms have cleared up the economic signals business people depend on in making smart business decisions, the study says. For example, many entrepreneurs are free to start or stop a venture quickly and switch into other businesses when they want to.

For many, that choice has meant abandoning import businesses that are no longer profitable and grabbing better opportunities in manufacturing. The manufacturing firms surveyed notched up their sales by 82 percent in 1992 compared to 61 percent in importing and trading companies.

Still, many of the entrepreneurs complain about the lack of capital available to finance their business ventures. Many local banks, used to lending to state companies with large assets as collateral, often refuse to

See POLAND, *page 5*



FISCAL 1993 OPERATIONAL RESULTS

"Adjustment Lending" Decreased Last Year

RESULTS, *from page 1*

commitments reflects a shift from adjustment to project investment lending and administrative delays resulting from the political transitions in a number of countries.

Countries of the East Asia and Pacific region received $5.6 billion in new commitments from IBRD and IDA in fiscal 1993, nearly the same amount as a year earlier ($5.5 billion). More than 40 percent of the new commitments were aimed at relieving infrastructure bottlenecks, especially in the transportation and power sectors.

In fiscal 1992, the countries of the Bank's South Asia region received $3 billion in new IBRD/IDA commitments; during fiscal 1993, $3.4 billion in new lending was approved. Poverty reduction and human-resource development projects received a considerable portion of the new commitments, as did India's economic reform measures.

Commitments by IBRD and IDA to the countries of Europe and Central Asia in fiscal 1993 totaled $3.8 billion, up sharply from $2.1 billion in fiscal 1992. Part of this dramatic increase is attributable to the first lending commitments—totaling $1.63 billion—to eight countries of the former Soviet Union.

Fiscal 1993 witnessed a rise in new commitments to the countries of Latin America and the Caribbean—from $5.7 billion the previous year to $6.2 billion in the year just ended. With the recent revival of private capital flows in the region, Bank lending in the larger countries is focusing on institutional development, the environment and human-resource development.

New commitments to the nations of the Middle East and North Africa region in fiscal 1993 amounted to $1.9 billion, compared with $1.5 billion a year earlier. The new lending will support long-range development in some nations, while others have only recently undertaken economic reforms receiving Bank assistance.

Adjustment lending accounted for 19 percent of total IBRD/IDA new commitments in fiscal 1993, compared with 27 percent the previous fiscal year. For IBRD, the proportion was 18 percent in the fiscal year just ended, down from 24 percent in the previous year. Adjustment lending from IDA accounted for 20 percent, down from 33 percent of new commitments a year earlier. □

New Resident Representative In Turkey

The World Bank has appointed a new representative to the institution's office in Ankara, Turkey.

Fred Temple will take up his post on October 1. He replaces Luis Azcarate who is being reassigned in the Bank.

Poland's Private Sector Yields Half of GDP

POLAND, *from page 4*

lend to untried private clients with no security to offer. As a result, most of the entrepreneurs must use their personal savings and borrow from friends and family to get their companies off the ground.

Other complaints focus on the "usual gripes," of high taxes and burdensome regulations, the survey says. Bad telephone systems, incompetent bureaucrats and poor labor are also cited as problems.

Coping with Success

The study also says that although many entrepreneurs are catching on to the ways of private business, some are still reluctant to find outside help. Even though many admit to squandering large sums of money on misdirected marketing efforts, they still refuse to pay for professional expertise from marketing companies and consultants. Others have trouble simply dealing with their success.

"Some entrepreneurs admit they are not well-prepared to manage their firms," says the survey. "When a firm is small, they do not have problems, but as it grows and expands, they feel the lack of managerial experience and methods."

But overall, Polish entrepreneurs are adopting private business methods and are helping to transform Poland's centrally planned economy to a market-based system.

In 1992, private companies and businesses yielded half of Poland's economic output, marking a big departure from the past four decades of socialism.

"In any event, the response of private businessmen to the [economic reforms] was huge, especially evident in services, transportation and construction," the study says. "The experience of 1990 and after naturally led to expectations that the private sector would play a strong role in Poland's growth and transformation into a market economy. These experiences are being borne out by continuing private sector developments in Poland." □

Coping with Capitalism, The New Polish Entrepreneurs *is priced at $6.95. Journalists may receive complimentary review copies by writing on company letterhead to the World Bank, Office of the Publisher, Marketing Unit, Room T-8054, Washington, D.C., 20433, U.S.A. Fax: (202) 676-0579.*

LENDING

Communities Will Manage Bhutan's Forests

BHUTAN, *from page 1*

Forestry ranks second behind electricity sales in its importance in the Bhutanese economy. Production of wood products makes up 11 percent of Bhutan's national output, yields 20 percent of its exports and employs some 25,000 people. Without major industries, Bhutan needs to balance protection of its forests with development needs in a country where the annual average income is less than $200.

The IDA-supported project aims to do both. Under the plan, the government will craft management schemes for parts of its vast forest reserves and also hand over control to local communities over woodlands surrounding rural villages. This will help in making better use of the forests and in improving farm productivity. Farmers will be encouraged to plant substitute trees on farmland borders to use for fuelwood, and bedding and fodder for livestock. Also, degraded forests will be rehabilitated through replanting.

The project will also beef up the Bhutanese government's forest agencies through training of forestry staff and establishing new offices in the project area. About 260 new jobs will be created under the plan. Some of the workers will guard forest land while others will help the already strained agencies carry out the new management plans.

But while the project aims to protect the forests, it will also increase output of wood products in a rational way. Only selective logging practices will be allowed, and harvesting rates will be conservative. Keeping the bulk of the trees intact will help protect the area's biodiversity and watershed systems.

By using forest lands for logging, the project will make sure that villagers, city people and the country's growing numbers of wood-based industries have enough wood for fuelwood and secondary products. The demand for timber in construction is also rising as the population grows.

High Fuelwood Demand

Six of Bhutan's 20 districts will be targeted under the project. The six eastern districts are the country's most-densely populated areas where the pressure on forests can be felt the most. If the project yields success in eastern Bhutan, it will serve as a model for the rest of the country.

Growing at 2.4 percent a year, Bhutan's population is inching its way into more forest land. Villagers have traditional rights to cut down trees for household needs, and the government requires increasing quantities of wood for construction of offices and monasteries. Forests are also the source of lemon grass, medicinal plants, and fodder for livestock. Communities also need a lot of wood to build and heat their traditionally designed homes and to cook their food. Bhutan's per capita fuelwood consumption ranks among the world's highest, satisfying 98 percent of Bhutan's domestic energy needs.

While the forests are coming under increasing pressure, the problem has not yet become acute. But that's the point of the project, says van Wersch. Putting a sustainable plan in place now will prepare Bhutan for the challenges of the future.

"In Bhutan, there are many more mouths to feed today, so you must do something to increase the productivity of the forests to meet those needs," he says.

"This project helps Bhutan to look ahead 20 to 50 years. It allows the country to introduce rational, conservative forestry practices while there is still time before the population growth makes the task more difficult. Some neighboring countries, like India and Nepal, did not have the chance to keep their forests because their populations grew so rapidly before they had plans in place." □

BARBADOS A $7.8 million World Bank loan will help Barbados meet the growing need for skilled workers. The project aims to strengthen basic education, improve technical and vocational education and training, and reinforce employment services and labor-market information.

WORLD BANK NEWS

Richard Kollodge, Editor
Christopher Bright, Production Assistant
Andrew Kircher, Reporter

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